



MANAGED COMPETITION

UPDATE

MAY 2008

OVERVIEW

This update provides you with important information about the City's managed competition program. On Friday, May 2nd, the Mayor announced the results of the first 18 pre-competition assessments that have been completed. The functions and the next steps in the managed competition process are summarized below.

INITIAL PRE-COMPETITION ASSESSMENTS COMPLETED

The City is awaiting a decision from the state Public Employment Relations Board related to a challenge of various aspects of the voter-approved managed competition program filed by the Municipal Employees Association and AFSCME, Local 127. The following table shows the functions that will go directly to planning for competitive procurement, that might go to competitive procurement in the future, and that were found to be ineligible and/or inappropriate for competitive procurement.

PROCEEDING DIRECTLY TO COMPETITIVE PROCUREMENT:

- **Container delivery services** (Environmental Services Department)
- **Dead animal pick-up** (Environmental Services Department)
- **Greenery compost facility operations** (Environmental Services Department)
- **Approximately 1/5 of solid waste collection services** (Environmental Services Department)
- **Street sweeping** (Street Division of the General Services Department)

The Mayor has decided to use a phased approach to move the City's solid waste collection services into competitive procurement. This phased approach will open competitive procurement for approximately one-fifth of the City's collection routes at a time. The City intends to always retain at least one-fifth of current collection routes. This will reduce the risk associated with competing this function by allowing the City to maintain its ability to provide this critical service should there be any default by a contractor selected to provide this service.

PROCEEDING TO COMPETITIVE PROCUREMENT AFTER PACKAGING REVIEW:

- **Pavement markings and signs** (Street Division of the General Services Department)
- **Sidewalk maintenance** (Street Division of the General Services Department)
- **Storm drains maintenance** (Street Division of the General Services Department)
- **Street lights maintenance** (Street Division of the General Services Department)
- **Street maintenance** (Street Division of the General Services Department)
- **Traffic signals maintenance** (Street Division of the General Services Department)

ELIGIBLE FOR COMPETITIVE PROCUREMENT AT A LATER DATE:

- **Bindery and reproduction services** (Publishing Division of the General Services Department). Business Process Reengineering recommendations will be implemented immediately to continue the City's reform efforts while the General Services Department is focusing on other competitive procurements.
- **Disposal operations** (Environmental Services Department) will be considered for competitive procurement should the landfill's vertical height expansion be approved.
- **Fee booth operations** (Environmental Services Department) at the Miramar Landfill also will be considered should approval of the landfill's vertical height expansion be received.
- **Graphic design** (Publishing Division of the General Services Department). Business Process Reengineering recommendations will be implemented immediately.

INELIGIBLE AND/OR INAPPROPRIATE FOR COMPETITIVE PROCUREMENT:

- **Grant and gifts identification and application** (Overseen by the Administration Department): This function was found to require input and support from such a broad diversity of employees that it was determined to have no opportunity for increased efficiencies from independent contractors
- **Grant administration** (Overseen by the Administration Department): This function was determined to be inherently governmental and thus ineligible for competitive procurement.
- **Landfill monitoring and maintenance** (Environmental Services Department): This was also considered to be an inherently governmental function and ineligible for competitive procurement.

City staff continue to work on pre-competition assessments for two functions in the Development Services Department, five functions in the Library Department and a single function in the City's Department of Homeland Security.

Managed Competition Process has Employee Protections

The Mayor has worked to ensure that the City maintains a level playing field for both employee teams and independent contractors bidding on City services and that the entire managed competition effort remains a fair, open and transparent process and will ensure that:

- Contracting recommendations will be based upon "best value" to the taxpayers, rather than simply lowest cost.
- At least two bids from independent contractors must be received.
- Potential contractors must be able to provide the service at a savings of 10% or more as compared to the bid made by employees.
- The recommendation to award a contract to an external vendor or the City employee team will be made by the Managed Competition Independent Review Board (MCIRB).
- The Mayor can only accept or reject a contracting recommendation from the MCIRB. He cannot amend it. Likewise, the City Council can only accept or reject the Mayor's proposal.
- Should an award go to a contractor, employees will not be precluded or hindered from seeking employment with that contractor.
- Appropriate "firewalls" will be established between the employee team developing the contract and the employee team preparing the City's employee proposal to protect the integrity of the process.
- Employee teams will be provided with support to develop a competitive proposal.
- Statement of Work development will be led by an expert team of outside consultants and supported by the expertise of City staff.
- Contracts will be limited to a five-year period and regular audits will ensure the agreed upon level of services are being provided.

New Processes to Expand Existing Protections

The Mayor has agreed to add new policies and procedures that will enhance the managed competition program's existing protections.

1. The employer contribution to employee health coverage will be excluded from bid comparisons, eliminating the opportunity for outside vendors to win work simply because they don't provide health coverage.
2. A set of "service specifications" will be provided to the City Council and the Managed Competition Independent Review Board in advance of developing the Statements of Work that will be the basis for the request for bids.
3. The City's auditor will lead the cost comparison of bids being considered under managed competition, including the employees' bid.
4. The City will continue to use the pre-competition assessment process to evaluate whether the City needs to, and if so, how the City should retain the core capacity to do the work.
5. Should the outcome of the competitive procurement process result in a reduction of City positions, the City will follow its Reduction in Force (RIF) policies. In addition, the City has established that the transition period will last at least 90 days, thus workers whose jobs are transferred to a contractor through managed competition will be retained for 90 days following the City Council's contract award.

Managed Competition Process Overview

A brief overview of the major phases of managed competition is described below. For more detailed information, please see the Managed Competition Guide posted on the Business Office's intranet site at www.sandiego.gov/mayor/pdf/mcguide.pdf

Pre-competition Assessment: A high-level analysis to determine whether a function is eligible and appropriate for competitive procurement.

Preparation for Competitive Procurement: An in-depth analysis of the function to prepare for competitive procurement (includes developing service specifications).

Statement of Work (SOW) and Request for Proposal (RFP) Development: A detailed process defining the tasks that will be bid on and ultimately performed by the winning service provider (City employees or independent contractor).

Proposal Development: The development and submission of proposals by the Employee Proposal Team and contractors in response to the RFP.

Proposal Evaluation and Award Determination: The evaluation, comparison and determination of the "best value" proposal. The MCIRB will recommend the proposal providing the "best value" to the Mayor, who may approve or disapprove (but not change) the recommendation. The Mayor will forward his decision to the City Council for approval if the recommendation is that a service should be provided by an independent contractor.

Transition: The period when City employees transition to their Most Efficient Organization (MEO) or when the function transitions to a contractor.

Performance Monitoring: Monitoring and auditing the performance of the award recipient—whether City employees or private vendors.

Activity	Timeline
Develop service specifications for Council and public review	Spring-Summer 2008
Develop Statements of Work and Requests for Proposals	Summer 2008
Advertise initial solicitation(s)	Summer 2008
MCIRB reviews initial proposals	Fall 2008
Mayor/Council consider initial award recommendations	End of 2008
Transition to proposed service delivery process completed for initial awards	By Summer 2009
Begin performance monitoring	Thereafter